

Council Auditor's Office
Review of OIG Audit Report on SMG

We read the OIG audit report on SMG Contract Compliance and we reviewed the applicable workpapers.

OIG Overall Recommendation

The OIG report recommended that the SMG contract be re-bid due to the changing environment of the industry and the length of time SMG's contract has been renewed/extended. It recommends that Management consider alternatives to the current contract and fee structure by requesting sample contracts from other cities for comparison purposes.

Areas of SMG Contract Needing Amendments and Clarification per the OIG Report

1. Use of Jacksonville SMG employees by affiliates or SMG Corporate
2. Procurement of services from affiliates
3. Extension of City audit rights to all SMG subcontractors
4. Relationship between SMG and other entities where a potential conflict of interest exists
5. SMG Corporate expenses covered by a management fee
6. Concessionaire contracts
7. Compliance with procurement policies
8. Requirement to follow City travel guidelines
9. Criteria for SMG employee bonuses
10. Extension of the City's budgetary review and approval requirements to subcontractors such as Savor
11. Extension of annual independent audit requirements to subcontractors such as Savor
12. Revenue remittance requirements for subcontractors such as Savor
13. Criteria for SMG and affiliate employees benefits

Suggested Additional Review per OIG Audit Report

The OIG report suggested that future audits look at two areas for potential costs savings.

14. Cecil Commerce Center Fitness Club
15. Payment of sales tax by SMG to purchase supplies for City facilities

Additional Finding from OIG Audit Report

16. JEDC contract administration can be improved to ensure compliance with all terms of the contract.

Six Items Noted in Audit Work Papers That Were Not Included in OIG Report

17. Delivered mail, which included checks, was not placed in a secure location.
18. The second signature on one check observed during expense testing was unauthorized.
19. A reconciliation is not being performed between SMG's audited financial statements and SMG's general ledger which is recorded in the City's accounting system.
20. Confirmation that SMG qualifies and the amount of the building and marketing incentive fees.
21. Confirmation that SMG's calculation of the management fee is correct.
22. Verification of the true-up figures (excess or shortage of SMG's expenses) compared to City funding amounts.